How To Scale Up Or Scale Down Your MSP

By Erez Zevulunov, M.I.T. Consulting and ASCII Group Member since 2016

When thinking about your next steps as an entrepreneur in the IT industry, you constantly plan and shift. Do I grow or do I trim down? This is an ongoing challenge and perpetual questions you ask yourself as you run your business.

For some the answer is easy. *I need to grow*. And the challenge that lies ahead is, 'how do I do that and what are the next steps?' In most cases this is not an easy conversation or a simple process to execute. It requires planning, process, and most of all money to achieve growth.

Money is always the first challenge when looking at growth strategies, because it takes money to make money. In most cases small MSPs don't have the extra capital to invest for additional resources, marketing initiatives, or even hiring people to help with strategies on how to grow their business. It takes a lot of ingenuity and strategic partnerships to maneuver around the financial requirements to grow a business.

Another challenge is building a strategy and a process on how to obtain new business. One major process that has worked for me over the past 20 years has been leveraging my relationships with the various vendors that we work with. Companies like Microsoft are an excellent example where you can leverage their existing marketing collateral and resources to help promote and grow a linear book of business within the organization. Eighty percent of the invested costs have been absorbed by Microsoft creating the content and requiring you to only insert your logo and customize the messaging. Even the strategy around this (in most cases) has already been built out for you and requires little effort to achieve its goal. The final phase would be upon the business owner to execute and invest money and time to launch the campaign and close business.

Referrals are the second most successful piece to grow your business and a low-cost way to get new clients. What better way to grow your business than by asking your clients who use your service to endorse you and refer you to their friends and business associates. In most cases, clients will do this for free and in some instances a small incentive is needed. I have used both methods over the years and have been able to drum-up a hand full of clients per campaign. As a common practice, having a referral program in place is also very handy where you offer a gift card or reward to the referring clients as a way to say thank you.

The next challenge is when to scale down your business and how to identify when to do so. In most cases, we feel the need to say yes to everything and everyone. We grow our business client by client not thinking about the total value and time it takes to service each account. This is more common with smaller MSPs. If we take a step back, we can see that there are some cases where clients are using up too much of our time for little to no profit, and or the client needs to line up with our business.

By revaluating your clients, you can identify which accounts are considered lower value. Another way to look at trimming your business is by examining your current offerings; you can see that some of the products and services you may be offering bring low or little return on investment.

When reviewing your clients, you can usually uncover a handful that eat up a lot of time and consume your resources, which therefore, makes the client unprofitable. By selling off those clients and/or firing them, you can better service and manage the more profitable accounts which would then free up additional resources.

In one case, I was offering VoIP services for our clients which we thought would be a natural sell, so we spent a lot of time and effort selling those services. After a year we had grown our VoIP practice to over 2 dozen accounts, and we were collecting a commission check from the partner. It turns out that the time we spent drumming up that business cost us so much, that it would take 2 – 3 years in commissions to get a return on the time spent. If we would have focused on providing our core services, we would have had a larger return and greater profit by upselling our managed services to prospects and/or drumming up new accounts.

By doing a scale down process, in some cases it can make the MSP more profitable, freeing up more time to focus on the core of their business.

Deciding on what to do next, should be part of your business plan. Both ways can be a challenge and will take some thought to execute effectively. Take the time to work out the pros and cons of your next steps and then decide … but then move on it quickly and effectively.

About The Author

Erez Zevulunov is Director/President of M.I.T. Consulting and has been a member of The ASCII Group since 2016.

About The ASCII Group, Inc.

The ASCII Group is the premier community of North American MSPs, MSSPs, and Solution Providers. The Group has members located throughout the U.S. and Canada, and membership encompasses everyone from credentialed MSPs serving the SMB community to multi-location solutions providers with a national and international reach. Founded in 1984, ASCII provides services to members including leveraged purchasing programs, education and training, marketing assistance, extensive peer interaction, and more. ASCII works with a vibrant ecosystem of leading and major technology vendors that complement the ASCII community and support the mission of helping MSPs and VARs to grow their businesses. For more information, please visit www.ascii.com.